



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from:	General Secretariat of the Council
to:	Delegation
Subject:	European Council (13-14 December 2012) - Draft conclusions

In accordance with Article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.

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The European Council agreed on a roadmap for the completion of the Economic and Monetary Union, based on deeper integration and reinforced solidarity. This process will begin with the completion, strengthening and implementation of the new enhanced economic governance, as well as the adoption of the Single Supervisory Mechanism and of the new rules on recovery and resolution and on deposit guarantees. The integrated financial framework will be completed, notably through the establishment of a single resolution mechanism and the development of differentiated contractual arrangements on the reforms Member States commit to. Further issues will be examined, including as regards a shock absorption capacity as well as a sound policy mix and an enhanced coordination of economic policies. Throughout this process, democratic legitimacy and accountability will be ensured.

The European Council launched work on the 2013 European Semester on the basis of the Commission's Annual Growth Survey. It decided to launch work on the development the EU's Common Security and Defence Policy and will return to this issue in December 2013.

I. ECONOMIC POLICY

Roadmap for the completion of EMU

1. In the light of the fundamental challenges facing it, the Economic and Monetary Union needs to be strengthened to ensure economic and social welfare as well as stability and sustained prosperity. Economic policies must be fully geared towards promoting strong, sustainable and inclusive economic growth, enhancing competitiveness and boosting employment in order for Europe to remain a highly attractive social market economy and to preserve the European social model.
2. The consolidation of EMU rests not only on completing its architecture but also on pursuing differentiated, growth-friendly and sound fiscal policies. In this respect, the possibilities offered by the EU's fiscal framework to balance productive public investment needs with fiscal discipline objectives must be fully exploited. The Commission is currently exploring further ways to accommodate public investment programmes in its assessment of Stability and Convergence Programmes.

3. Further to the interim report submitted in October 2012, the President of the European Council, in close collaboration with the Presidents of the Commission, the European Central Bank and the Eurogroup, has drawn up a specific and time-bound road map for the achievement of genuine Economic and Monetary Union. The European Council notes the "Blueprint" issued by the Commission which provides a comprehensive analysis of the relevant issues combined with an assessment of their legal aspects. It also notes the contributions made by the European Parliament. The European Council sets out the next steps in the process of completing EMU, based on deeper integration and reinforced solidarity.
4. This process will build on the EU's institutional and legal framework. It will be open and transparent towards Member States not using the single currency. Throughout the process the integrity of the Single Market will be fully respected, including in the different legislative proposals which will be made. It is also important to ensure a level playing field between Member States which take part in the SSM and those which do not
5. The immediate priority is to complete and implement the framework for stronger economic governance, including the "six-pack", the Treaty on Stability, Coordination and Governance (TSCG) and the "two-pack". Following the decisive progress achieved on the key elements of the "two-pack", the European Council calls for its rapid adoption by the co-legislators.
6. In 2013, the EU's economic surveillance framework should be further strengthened by ensuring that all planned major economic policy reforms of participating Member States are discussed *ex ante* and, where appropriate, coordinated within the framework of the EU's economic governance, in line with Article 11 of the TSCG. The Commission has announced its intention to make a proposal for a framework for *ex ante* coordination of major economic policy reforms in the context of the European Semester.

7. It is equally urgent to advance towards a more integrated financial framework, which will help restore normal lending to the economy and improve the necessary conditions to promote the competitiveness of the economy.
8. [The European Council welcomes the agreement reached within the Council on the Single Supervisory Mechanism, including the EBA, and calls on the co-legislators to rapidly reach agreement so as to allow its implementation as soon as possible.] *(to be adjusted in the light of 12/12 ECOFIN)* [It also welcomes the progress made on the new rules on capital requirements for banks (CRR/CRD IV), which are of the utmost priority so as to develop a single rule book and, calls for their rapid adoption.] *(to be adjusted in light of 13/12 trilogue)*
9. The European Council urges the co-legislators to agree on the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive before June 2013; the Council for its part should reach agreement by the end of March 2013.
10. The European Council looks forward to the Commission's rapid follow up to the proposals of the high level expert group on the structure of the EU banking sector.
11. Further to the June 2012 euro area Summit statement and the October 2012 European Council conclusions, an operational framework should be agreed no later than March 2013, so that when an effective single supervisory mechanism is established, the European Stability Mechanism could, following a regular decision, have the possibility to recapitalise banks directly.

12. In a context where bank supervision is effectively moved to a single supervisory mechanism, a single resolution authority will be required, with the necessary powers to ensure that any bank in participating Member States can be resolved with the appropriate tools. Therefore, as soon as the proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive have been adopted, the Commission will submit in the course of 2013 a proposal for a single resolution mechanism for Member States participating in the SSM, to be examined by the co-legislators with a view to its adoption as a matter of priority and by the end of the current parliamentary cycle at the latest. It should safeguard financial stability and ensure an effective framework for resolving financial institutions while protecting taxpayers in the context of banking crises. The single resolution mechanism should include appropriate and effective common backstop arrangements.
13. Member States need to promote strong and sustainable economic growth, competitiveness and employment, in line with the Europe 2020 Strategy, which is implemented through the country-specific recommendations and the National Reform Programmes. Individual arrangements of a contractual nature with EU institutions on the measures and reforms they commit to undertake could enhance ownership and effectiveness. This would apply to euro area Member States, but non euro area countries may also choose to enter into similar arrangements. Such arrangements should result from a dialogue on the country-specific recommendations and be differentiated depending on Member States' specific situations, for instance with respect to excessive macroeconomic imbalances. The European Council will return to this issue in March 2013, after an informal process of consultations with the Member States and the Commission on the specific ways to put in place these contractual arrangements and on the means to support their implementation, building on existing EU procedures. The Commission has already announced its intention to submit a proposal after the decision on the MFF has been taken.

14. More generally, as the EMU evolves towards deeper integration, including on budgetary matters, a number of other important issues will need to be further examined. This could include a shock absorption function to improve the resilience of the euro area as well as a sound policy mix and an enhanced coordination of economic policies notably in areas covered in the Euro Plus Pact. The work conducted to date by the President of the European Council together with the Presidents of the Commission, the European Central Bank and the Eurogroup, as well as the Commission's "Blueprint", provide a useful input to a debate on all these issues. These issues will take more time and will require in-depth consultations with the Member States. Some of these issues may imply a change to the Treaties. The European Council will discuss these questions after the election of a new European Parliament and the appointment of a new Commission.
15. Throughout the process, the general objective remains to ensure democratic legitimacy and accountability at the level at which decisions are taken and implemented. Any new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger legitimacy and accountability. At national level, moves towards further integration of the fiscal and economic policy frameworks would require that Member States ensure the appropriate involvement of their parliaments. Further integration of policy making and greater pooling of competences at the EU level must be accompanied by a commensurate involvement of the European Parliament. New mechanisms increasing the level of cooperation between national parliaments and the European Parliament, in line with Article 13 of the TSCG and Protocol No 1 to the Treaties, can contribute to this process. This could take the form of a conference of representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national parliaments. The precise organisation and modalities of this is a responsibility for the European Parliament and national parliaments to determine jointly.

Annual Growth Survey

16. The European Council welcomes the timely submission of the **Annual Growth Survey** (AGS) by the Commission, which launches the 2013 European semester. It agrees that efforts at national and European level in 2013 should continue to focus on the five priorities agreed last March, namely to:
- pursue differentiated, growth-friendly, fiscal consolidation,
 - restore normal lending to the economy,
 - promote growth and competitiveness,
 - tackle unemployment and the social consequences of the crisis, and
 - modernise public administration.
17. The Council will examine in further detail the AGS package in accordance with the roadmap presented by the incoming Presidency and following the recommendations outlined in the Presidency report on lessons learned from the 2012 European Semester, with a view to providing its views to the March 2013 European Council. The European Council will then agree on the required guidance for Member States' Stability and Convergence Programmes and National Reform Programmes as well as for the implementation of the EU's flagship initiatives. The Commission is invited to include in its next Annual Growth Survey an assessment of the performance of labour and product markets with a view to promoting jobs and growth.

18. The completion of the **Single Market** can contribute much to growth and jobs and constitutes a key element of the EU's response to the financial, economic and social crisis. The European Council took stock of the state of play as regards the priority proposals of the Single Market Act I and welcomed the agreement reached among participating Member States on the Unitary Patent as well as the agreement on Alternative Dispute Resolution and Online Dispute Resolution for consumer disputes. It calls on the co-legislators to conclude the remaining SMA I files as a matter of urgency. In particular, work should be speeded up on professional qualifications, public procurement, posting of workers and e-signature and e-identification. As regards the Single Market Act II, the European Council calls on the Commission to present all key proposals by the spring of 2013. It invites the Council and the European Parliament to give these proposals the highest priority with a view to their adoption by the end of the current parliamentary cycle at the latest. It is also important to take urgent action in line with the Commission's communications on implementation of the Services Directive and on Single Market governance. The European Council will keep progress on all single market proposals under close review.
19. The European Council calls for the rapid examination of the Commission's communication on "Smart Regulation" and looks forward to the publication of the first SME scoreboard. It will revert to this matter at its March 2013 meeting.

20. Recalling the January 2012 Statement of Heads of State or Government and the conclusions of its meetings in March, June and October, the European Council welcomes the progress made during the year towards a comprehensive EU approach to **youth employment**. It calls on the Council to give consideration to the proposals of the Youth Employment Package without delay, in particular with a view to adopting a recommendation on Youth Guarantee Schemes at an early date in 2013. It invites the Commission to rapidly finalise the quality framework for traineeships, establish the Alliance for Apprenticeships as well as propose the new EURES regulation. The Council, the Member States, and the Commission should ensure rapid follow-up to the Commission communication on "Rethinking Education".

II. OTHER ITEMS

Common Security and Defence Policy

21. The European Council recalls its conclusions of December 2008 and notes that in today's changing world the European Union is called upon to assume increased responsibilities in the maintenance of international peace and security in order to guarantee the security of its citizens and the promotion of its interests.
22. In this regard, the European Council remains committed to enhancing the effectiveness of the Common Security and Defence Policy (CSDP) as a tangible EU contribution to international crisis management. The EU plays an important role in its neighbourhood and globally. The European Council recalls that CSDP missions and operations are an essential element of the EU's comprehensive approach in crisis regions, such as the Western Balkans, the Horn of Africa, the Middle East, Sahel, Afghanistan and the South Caucasus and remains committed to increasing their operational effectiveness and efficiency. It also recalls that CSDP missions and operations should be carried out in close cooperation with other relevant international actors, such as the UN, NATO, the OSCE and the African Union, as well as partner countries, as called for in each specific situation. Enhancing the cooperation with interested partners in Europe's neighbourhood is of particular importance in this regard.

23. To deliver on security responsibilities, the European Council underlines that EU Member States must be ready to provide future-oriented capabilities, including in the field of defence. The European Council stresses that current financial constraints highlight the urgent necessity to strengthen European cooperation in order to develop military capabilities and fill the critical gaps, including those identified in recent operations. It also underlines the benefits such cooperation may have on employment, growth, innovation and industrial competitiveness within the European Union.
24. The European Council invites the High Representative, notably through the European External Action Service and the European Defence Agency, as well as the Commission, all acting in accordance with their respective responsibilities and cooperating closely as required, to develop further proposals and actions to strengthen CSDP and improve the availability of the required military capabilities, and to report on such initiatives, at the latest by September 2013, with a view to the December 2013 European Council. Member States will be closely involved throughout this process.
25. To that end, the European Council underlines the following issues:

Increase the effectiveness, visibility and impact of CSDP by

- further developing the comprehensive approach to conflict prevention, crisis management and stabilisation, including by developing the ability to respond to emerging security challenges;
- strengthening the EU's ability to deploy the right civilian and military capabilities and personnel rapidly and effectively on the whole spectrum of crisis management action.

Enhance the development of defence capabilities by

- identifying current redundancies and capabilities shortfalls and prioritising future requirements for European military capabilities;
- facilitating a more systematic and longer term European defence cooperation, including through "pooling and sharing" of military capabilities; and in this regard, systematically considering cooperation from the outset in national defence planning by Member States;
- facilitating synergies between bilateral, sub-regional, European and multilateral initiatives, including the EU's "pooling and sharing" and NATO's "smart defence".

Strengthen Europe's defence industry by

- developing a more integrated, sustainable, innovative and competitive European defence technological and industrial base;
- developing greater synergies between civilian and military research and development;
- promoting a well-functioning defence market, in particular through the effective implementation of the directives on public procurement and on intra-EU transfers, open to SMEs and benefiting from their contributions.

26. The European Council will in December 2013 review progress achieved in pursuing these goals, assess the situation and, on the basis of recommendations by its President, provide guidance, including by setting priorities and timelines, to ensure the effectiveness of EU efforts aimed to at meeting Europe's security responsibilities.

Regional Strategies

27. Recalling its June 2011 conclusions, the European Council looks forward to the presentation by the Commission of an EU Strategy for the Adriatic and Ionian region before the end of 2014.

Enlargement

28. The European Council welcomes and endorses the conclusions adopted by the Council on 11 December on enlargement.

Syria

29. The European Council is appalled by the increasingly deteriorating situation in Syria. It endorses the conclusions adopted by the Council on 10 December. It also welcomes the exchanges of EU Ministers of Foreign Affairs with the National Coalition for Syrian Revolutionary and Opposition Forces as legitimate representatives of the Syrian people. The European Council will continue to address the situation in Syria as a matter of priority.
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